BEFORE THE
ILLINOIS COMMERCE COMMISSION

AT&T Communications of Illinois, Inc., TCG Illinois and TCG Chicago	)	
Petition for Arbitration of Interconnection Rates, Terms and Conditions and Related Arrangements With Illinois Bell Telephone Company d/b/a SBC Illinois Pursuant to Section 252(b) of the Telecommunications Act of 1996	)	**Docket No. 03-0239**

PUBLIC VERSION

DIRECT TESTIMONY

OF

Craig Mindell

ON BEHALF OF

SBC ILLINOIS

EXHIBIT 6.0

Dated: May 20, 2003

SBC ILL.
03-0239
6.0
C. Mindell
6/18/03

ISSUES
Reciprocal Compensation 8b
Interconnection 1, 3, 5, 6, 7, 8 and 9

Q. Please state your name and business address.

A. My name is Craig S. Mindell. My business address is Three Bell Plaza, Room 710, Dallas, Texas, 75202.

Q. By whom are you employed and what is your title?

A. I am employed by SBC Management Services, Inc. ("SBC") as Area Manager – Interconnection.

Q. What are your current responsibilities?

A. I am responsible for network interconnection issues and contract negotiation support in the network regulatory organization. My responsibilities include the presentation, explanation and justification of the company's network interconnection positions before regulatory and legislative authorities. I also provide technical support to the Legal and External Affairs Departments and participate in interconnection contract negotiations.

EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE

Q. What is your educational and professional background?

A. I graduated from Washington University in St. Louis with a Bachelor of Arts, major in Urban Studies, concentration in statistics and econometrics. As an SBC employee I've supervised and received training in the functions of switch translations, access services sales and billing support, network services forecasting, project management functions and facilities construction pricing. I have developed and held training seminars for employees and customers of Southwestern Bell in access and cellular service functions and pricing. I've worked with SBC companies 26 years, and in management for 23 of those years.

Q. Have you previously testified before the Illinois Commerce Commission?

A. I testified on behalf of SBC Illinois in its arbitrations with Level 3, TDS and GNAPS. I also testified in the 790 rulemaking docket and in the Commission review of SBC Illinois' tariffs implementing section 13-801 of the Public Utilities Act.

PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I support, from a network viewpoint, SBC Illinois's positions on the following issues:

A. Limitations on POI Placement

Interconnection Issues 3, 5, 6, 7, and 8

B. Points of Interconnection in Independent Company Territory

Interconnection Issues 1, 9

C. Reciprocal Compensation rates and minutes measurement

Reciprocal Compensation Issue 8b

Interconnection Issue 3: What terms apply to AT&T's intra-building interconnection to SBC-Illinois?

Q. Please explain issue 3.

A. AT&T is seeking to establish a new method of interconnection when it has a presence in the same building as SBC Illinois. AT&T's proposed language for Section 3.3.3 of the interconnection agreement provides that:

> Intra-building Interconnection – where both Parties have a presence within a central office condominium arrangement, (point of presence or POP hotel) or between two adjacent central office buildings utilizing an intra-building cable. The following terms and conditions will apply to Intra-building Interconnection:

3.3.3.1 AT&T may designate the use of either a fiber optic cable or coax (*i.e.*, DS-3 ABAM) cable;

3.3.3.2 Such cable will be installed via the shortest practical route between the SBC-Illinois's and AT&T's equipment;

3.3.3.3 AT&T will be responsible for the reasonably incurred installation and maintenance costs for such cable;

3.3.3.4 AT&T will have sole use of the cable unless the parties mutually agree to joint-use and to an allocation of financial responsibility and an apportionment of the facility capacity of the cable; and

No other charges shall apply to AT&T's use of the facilities over such arrangement.

Q. What is AT&T proposing?

A. AT&T is saying that if its premises and SBC Illinois' premises happen to be in the same building, AT&T will pay to have a coaxial or fiber optic cable installed, via whatever route AT&T designates through SBC's premise.

Q. Who is responding on behalf of SBC Illinois?

A. SBC Illinois witness Theresa Bates is primarily responsible for addressing this issue because it appears to principally involve collocation issues. To the extent it also raises interconnection issues, I address them below.

Q. Why does SBC Illinois object to the language AT&T proposes for intra-building interconnection?

A. If AT&T's proposal in Interconnection 3.3.3 is purely about methods of interconnection for the mutual exchange of traffic, the language is unnecessary because the subject is already covered by agreed-upon language Article 3, Section 3.8.4.1, which describes a design that encompasses AT&T's concept here:

> 3.8.4.1 Design One: AT&T's fiber cable (four fibers) and SBC-AMERITECH's fiber cable (four fibers) are connected at a technically feasible point between AT&T and SBC-AMERITECH locations. This Interconnection point would be at a mutually agreeable location approximately midway between the two. The Parties' fiber cables would be terminated and then cross-connected on a fiber termination panel as discussed below under the Fiber Termination Point options section. Each Party would supply a fiber optic terminal at their respective end. The POI would be at the fiber termination panel at the mid-point meet.

In this section, AT&T and SBC Illinois already agree to interconnect their premises in a joint meet in which AT&T builds the interconnection facility across its premise and toward SBC Illinois' premises, and SBC Illinois does the same in the other direction. The specific situation AT&T address in proposed Section 3.3.3 (i.e., two premises within a building or in adjoining buildings) is simply a subset of the general situation described in 3.8.4.1.

Q. In AT&T's Panel testimony (i.e., Finney, Schell & Talbott), AT&T states that entrance charges should not be assessed for intra-building interconnection, and specifically references a monthly charge of $686.47. Does the general model you offer allow AT&T to avoid this charge?

A. Yes. In joint fiber meets, two way traffic is contemplated, and an entrance facility is not billed because both companies benefit from the exchange of traffic over the facility.

Q. Would SBC Illinois agree to use coaxial cable in the joint fiber meet scenario?

A. It's quite possible that we would. The primary concern involves the technical feasibility of electrically connecting equipment between "ground planes." Another concern is cable length, because regeneration is necessary when cables exceed certain lengths, and regeneration must take place at a point equidistant from each end. Subject to these technical concerns, and to the issues of routing the cable through the SBC Illinois central office, we are open to interconnecting with coaxial cable in this limited situation.

Q. What objections does SBC have to AT&T's specific contract language?

A. The language goes beyond a description of the physical interconnection and dictates what SBC Illinois must do within its own premises. For example, 3.3.3.2 says "such cable will be installed via the shortest practical route between the SBC-Illinois's and AT&T's equipment." In the absence of a definition for "practical", this could obligate SBC Illinois to knock holes in walls, install new cable troughs or in some other way create custom routing through its own central office premise, without compensation.

SBC Illinois witness Theresa Bates discusses this issue in more detail.

Q. What does SBC Illinois propose?

A. AT&T's language should be rejected and the parties should operate under the agreed-upon interconnection language that appears in Article 3, section 3.4, 3.5, 3.6, 3.7 and 3.8. In addition, SBC Illinois' language for section 3.3.3 should be adopted. It addresses a slightly different situation that that posed by AT&T – i.e., interconnection in a building that is not part of a central office – but it appears to be unopposed by AT&T and should be approved.

<u>Interconnection Issue 5</u>: SBC Issue: Are there reasonable limitations on AT&T's right to interconnection with SBC Illinois free of any charge?

AT&T Issue: Does AT&T have the right to establish a POI at any technically feasible point on SBC's network and does each originating party have the obligation to transport its traffic to the POI?

Q. How do Issues 5 through 9 relate to each other?

A. All five issues deal with the interconnection of the two networks. Issue 5 concerns a general statement about interconnection and issues 6 through 9 raise specific interconnection issues. AT&T offers contract language only on issue 5 and asks the

Commission to limit the contract language to a general statement. SBC Illinois asks the Commission to look beyond this general statement and to allow the agreement to address specific issues that have created inequities for SBC Illinois for a number of years. Before continuing, I will define a few terms necessary to the understanding of these issues.

Q. What is a point of interconnection (POI)?

A. In the connection between the switched networks of two carriers, two switches are involved, one for each company. The facility between the two switches is a physical medium (such as a pair of copper wires, or a fiber system) that transmits voice and data. This medium acts as a pipe. The point of interconnection (POI) is the delineation between where installation and maintenance of the pipe(s) by one company ends and installation and maintenance by the other begins.

Q. What is a switch?

A. A switch is a mechanical or electrical device that makes a connection based on current instructions. Switches may offer dial tone to end users. When a customer picks up a telephone at her house, the dial tone comes from her telephone company's switch. Switches connect a customer's phone line to another end user's phone line, or to a trunk that connects to another end user's switch.

Q. What is a trunk and what is a facility?

A. A trunk is a service provisioned jointly between two switches. It includes trunk circuit packs in each switch and the part of the facilities that transmits a single call at a time. Typically one trunk uses a single time slot of a DS1 facility, which can have up to 24

time slots or voice grade capable communication paths on it. The DS1, in turn may be part of a DS3 facility, which can have 28 DS1s (672 voice grade paths). As telephone switches are computers, the facility may be thought of as hardware, and the trunk as software. Thus, to make these trunks capable of communicating with each other, the trunks must be programmed in the switches at each end.

Q. How have SBC Illinois and AT&T agreed to establish interconnection?

A. SBC Illinois and AT&T have agreed to each supply a separate facility and a dedicated set of trunks to handle traffic from its subscribers for calls to the other network's subscribers. SBC Illinois brings its trunks to AT&T, and AT&T brings its trunks to SBC Illinois.

As added flexibility, the parties have agreed that traffic may be brought to a POI that is actually short of a switch, and rates have been agreed upon for paying the terminating party to take the traffic the rest of the way. AT&T, for example, may bring traffic to a tandem which serves an end office, and SBC Illinois will take the traffic the rest of the way and bill AT&T appropriately.

Q. Do AT&T and SBC Illinois entirely agree on how to interconnect?

A. No. AT&T proposes that wherever its switch is located within a LATA, regardless of the type of call (i.e., local, FX or transit) it is SBC Illinois' obligation to provide the transport from its network all the way to AT&T's switch. SBC Illinois proposes to reasonably limit where it must run facilities or where it must pay AT&T to run them.

Q. AT&T suggests that SBC Illinois is ignoring federal and state decisions that have already addressed these interconnection issues. How do you respond?

A. It is true that there are federal and state decisions that discuss this issue in broad terms. The reason that SBC Illinois raised these issues in this arbitration, and the reason that we broke out specific aspects of the issue into five separate items was to facilitate the Commission's focus on the application of interconnection rules to specific scenarios.

Q. What is ATT's position on Issue 5?

A. AT&T's position is that SBC Illinois is *always* responsible for getting its traffic to AT&T, no matter where in the LATA AT&T locates its POI and no matter what type of traffic is involved.

Q. What does SBC Illinois propose?

A. SBC Illinois proposes a few reasonable limitations, and does so by first contesting AT&T's sweeping language in Issue 5 and then by identifying – in Issues 6 through 9 – specific exceptions to the general language that should be approved. The exceptions where SBC Illinois should not have to pay for transport are as follows:

a) local traffic delivered to AT&T for switching outside the local calling area (Issues 6 & 7);

b) FX traffic delivered to AT&T for switching outside the local calling area (Issue 8); and

c) traffic to AT&T outside SBC Illinois's ILEC territory (Issue 9).

Q. What is the basis for SBC Illinois's Position?

A. Section 252(c)(2) of the 1996 Act imposes a duty on Ameritech Illinois to provide "interconnection with [Ameritech Illinois'] network . . . for the transmission and routing of telephone exchange service and exchange access." As the FCC found in its 1996 *Local Competition Order*, section 252(c)(2) permits the CLEC (here, AT&T) to select the points in the ILEC's network at which it will deliver traffic.[1] Recognizing, however, that "competing carriers must usually compensate incumbent LECs for the additional costs incurred by providing interconnection," the FCC noted (*id.* ¶ 209) that "competitors have an incentive to make economically efficient decisions about where to interconnect." In this regard, the FCC reasoned that a "*requesting carrier that wishes a 'technically feasible' but expensive interconnection would, pursuant to section 252(d)(1), be required to bear the cost of that interconnection, including a reasonable profit.*" (*Id.* ¶ 199.) (emphasis added). In simple common-sense terms, it is only fair that when a CLEC chooses an interconnection architecture that causes additional costs, as AT&T is doing here, the CLEC, rather than the ILEC, must bear those additional costs.

My discussion of Issues 6 through 9, below, also provides the rationale that supports SBC Illinois' position on Issue 5.

[1] *In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, First Report and Order, CC Docket No. 96-98 (rel. Aug. 8, 1996) ("Local Competition Order").

Interconnection Issue 6: In a one-way trunking architecture, does SBC Illinois have an obligation to compensate AT&T for any transport used by AT&T to terminate Local/IntraLATA traffic originated by SBC Illinois if AT&T's POI and/or switch is outside the local calling area and the LATA where the call originates?

Interconnection Issue 7: When AT&T has requested a POI located outside the local calling area of SBC Illinois's end user originating the call, should AT&T be financially responsible for the transport outside the local calling area for Local/IntraLATA traffic originated by SBC Illinois?

Q. Please identify Issues 6 and7.

A. Issues 6 and 7 pose the same question in slightly different forms. They are so similar that I will discus them as a single issue and will illustrate the issue with an example: if an SBC Illinois end user ("Jones") places a local call to an AT&T end user ("Smith") that lives next door, and the AT&T switch that serves Smith is not in the local calling area where Jones and Smith are located, should it be SBC's financial responsibility to "get the traffic" all the way to AT&T's switch? In Issue 6 "getting the traffic" to AT&T's switch would involve paying AT&T for use of its transport. . In Issue 7 "getting the traffic" to AT&T's switch would involve SBC Illinois delivering the traffic over SBC Illinois' own transport without TELRIC based reimbursement from AT&T.

Q. What language does SBC Illinois propose?

A. **4.3.1 Each Party shall provision and maintain its own one (1)-way trunks to deliver calls originating on its own network and routed to the other Party's network. Each Party will be responsible (including financial responsibility) for providing all of the facilities and engineering on its respective side of each point of interconnection ("POI") except as set forth in Sections4.3.2 and 4.3.3 below. AT&T must establish one or more POI(s) within the operating territory in the LATA where Ameritech-Illinois operates as an incumbent LEC and such POI(s) must be used by AT&T to originate AT&T Local/IntraLATA traffic in such LATA. Ameritech Illinois shall deliver its originating traffic to AT&T at AT&T's switch or such other mutually**

agreeable POI(s) and such switch or POI(s), whichever is applicable, must be within the LATA and within Ameritech Illinois's operating territory where the traffic originates.

4.3.2 In a one (1) way trunking architecture, each Party originating Local/IntraLATA traffic ("Originating Party") shall compensate the Party terminating such traffic ("Terminating Party") for any transport that is used to carry such Originating Party's Local/IntraLATA traffic between the POI and the Terminating Party's switch serving the terminating end user or its designated Point of Presence ("POP") subject to the following conditions:

4.3.2.1 If Ameritech Illinois is the Originating Party, the POI and AT&T's terminating switch (or POP if applicable) must be within the same LATA and within Ameritech Illinois's local calling area where the call originates. If the POI and AT&T's terminating switch (or POP if applicable) are not within the same LATA and within Ameritech Illinois's local calling area where the call originates, AT&T shall bear the cost to transport such traffic between the POI and AT&T's switch.

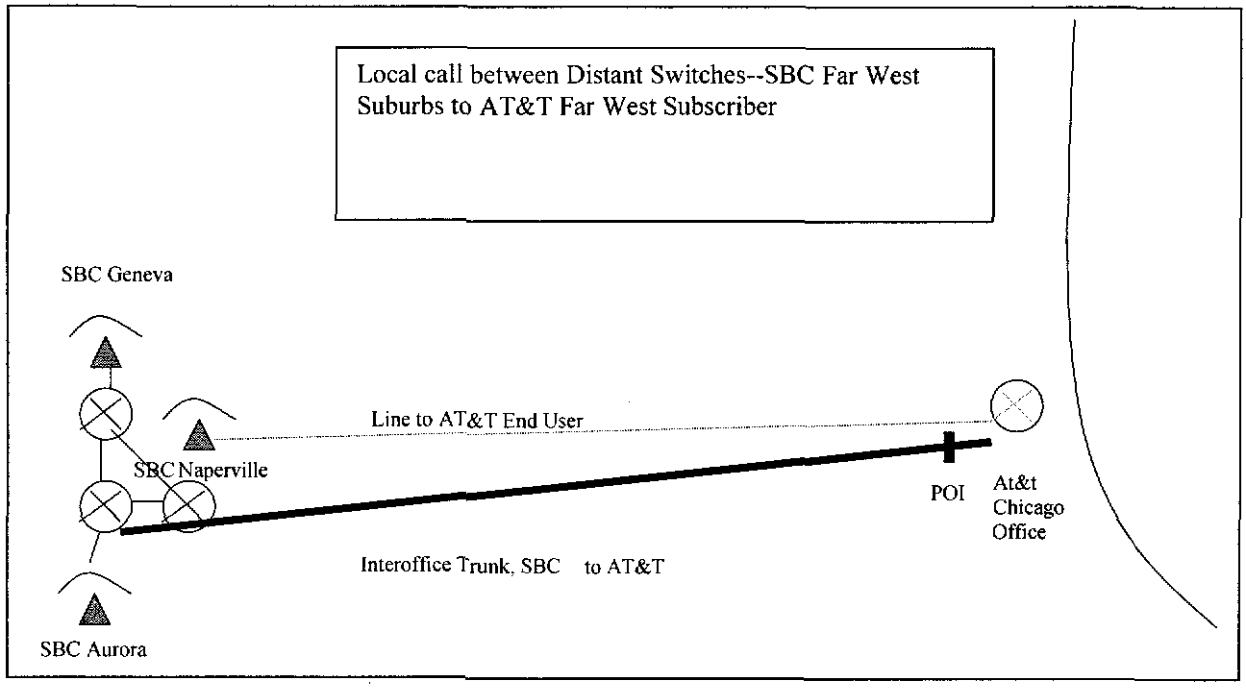
4.3.2.2 The rate paid by the Originating Party to the Terminating Party shall be the same as the rate for Unbundled Dedicated Transport as set forth in the Pricing Schedule.

4.3.3 When an expensive form of interconnection has been requested by AT&T resulting in a POI located outside the local calling area of Ameritech Illinois's end user originating the call, AT&T will be financially responsible for the transport outside the local calling area of Local/IntraLATA traffic and FX Traffic originated by Ameritech Illinois as follows:
4.3.3.1 For end office routed calls, AT&T will pay Ameritech Illinois the rates for Unbundled Dedicated Transport as set forth in Pricing Schedule for the distance between the Ameritech Illinois's end office where the traffic originated and the POI, less 15 miles.

4.3.3.2 For tandem routed calls, AT&T will pay Ameritech Illinois the rates for Unbundled Dedicated Transport as set forth in Pricing Schedule for the distance between the Ameritech Illinois tandem and the POI, less 15 miles.

Q. Can you explain why you think the current situation is inequitable for SBC Illinois?

A. Reference to the following map of Chicago and Far West Suburbs Geneva, Naperville and Aurora will help describe the situation.



When SBC Illinois callers in Geneva, Naperville and Aurora dial each other, they are placing *local* calls from these three towns. SBC Illinois connects offices in these towns to each other as these local calls. When AT&T moves the Geneva a subscriber to its own network, however, it may serve the Geneva subscriber out of its downtown Chicago switch. In so doing, a local call placed by an SBC Illinois caller in Aurora to Geneva must now be hauled 40 miles to Chicago to connect to the AT&T switch in Chicago, SBC Illinois is paid for a local call by its Aurora subscriber (zero on a per call basis) yet SBC Illinois faces the cost of a long distance call in taking that call to Chicago.

Q. Does AT&T have closer switches, in its office location in Oakbrook, for example, or in Lisle?

A. AT&T lists 16 separate switches clustered in six different locations in the Chicago area. Nevertheless, any particular rate center being served may or may not be served by the closest switch to that rate center. AT&T lists Aurora codes, for example, as being served by switches in Oakbrook, Chicago on Canal Street and Chicago on 717 S. Wells Street.

In SBC Illinois's view, whatever savings AT&T derives by setting up its switches on a non-geographic basis, that savings should not be underwritten by a commensurately higher investment of SBC Illinois.

Q. Is it appropriate in the scheme set up by the Act, and by the FCC's interpretation of the Act, for SBC Illinois to charge for AT&T the additional transport it must provide for these calls?

A. Yes, because this is "expensive interconnection" that, by the terms set forth in the FCC's *First Report and Order*, Paragraph 199, SBC Illinois is not required to provide for free. While AT&T is correct that it is entitled to interconnect with SBC Illinois in any technically feasible manner, AT&T is wrong when it argues that a necessary corollary of this rule is that it is exempt from incurring any financial consequences of its decisions about how and where to interconnect. The FCC has made it clear that "a requesting carrier that wishes a 'technically feasible' but expensive interconnection would ... be required to bear the cost of that interconnection." *Local Competition Order*, Paragraph 199.

Q. Have any federal Courts agreed with SBC Illinois's position that local calls hauled out of a local area should be paid for by the CLEC whose switch is outside the local area?

A. Yes. Very recently, in fact, the United States District Court for the Eastern District of North Carolina did so. *MCIMetro Access Transmission Services vs. Bell South Telecommunications, Inc.* was an appeal from a State commission decision that – just like SBC Illinois's proposal in this case – allowed MCI to designate the points at which it would interconnect with the incumbent's network, but that required MCI to compensate the ILEC for transporting calls a long distance to an MCI-chosen point of interconnection. The federal district court, in a January 21, 2003 decision, rejected MCI's challenge to the State commission's arbitration decision.

Q. What was the federal court's rationale?

A. I will leave the detailed discussion for the lawyers. In summary, the court reviewed existing precedent and concluded that except for the recent FCC Wireline Bureau decision, where the Bureau was standing in for the State of Virginia,

> All other courts addressing the issue appear to have found cost-shifting for an expensive interconnection was appropriate. The FCC and numerous federal courts have subsequently endorsed this holding. Indeed, the Ninth Circuit's holding . . . adhered to this interpretation even after the Virginia Arbitration Order. [footnote omitted] In the absence of a clear ruling from the FCC or a federal appellate court to the contrary (which, in this court's opinion, the Virginia Arbitration Order is not), this court cannot conclude that cost-shifting in this context violates federal law. (District Court for the Eastern District of North Carolina Western Division, No. 5:01-cv-921-H(4) MCI Metro Access Transmission Services LLC v. Bellsouth Telecommunications, Page 13)

I understand that this Commission does not have to follow the North Carolina decision, and I also understand that the North Carolina decision did not say that cost-shifting for long haul transport is mandatory. What the Court did make very clear, though, is that this Commission is free to make what I will show is the fair decision – allowing SBC Illinois to charge AT&T appropriately for hauling traffic a long distance outside the local calling area - and that the Commission will not be running afoul of any federal law or FCC Rule if it does so.

Q. What other rulings support SBC Illinois's position that it is appropriate for SBC Illinois to charge for long haul of calls to a POI?

A. The FCC examined such an arrangement in the Verizon Pennsylvania 271 proceeding, where Verizon charged MCI for interconnection outside of a local calling area. It found as follows:

> Although several commenters assert that Verizon does not permit interconnection at a single point per LATA, we conclude that Verizon's policies do not represent a violation of our existing rules. Verizon states that it does not restrict the ability of competitors to choose a single point of interconnection per LATA because it permits carriers to physically interconnect at a single point of interconnection (POI). Verizon acknowledges that its policies distinguish between the physical POI and the point at which Verizon and an interconnecting competitive LEC are responsible for the cost of interconnection facilities. The issue of allocation of financial responsibility for interconnection facilities is an open issue in our Intercarrier Compensation NPRM. We find, therefore, that Verizon complies with the clear requirement of our rules, i.e., that incumbent LECs provide for a single physical point of interconnection per LATA. Because the issue is open in our Intercarrier Compensation NPRM, we cannot find that Verizon's policies in regard to the financial responsibility for interconnection facilities fail to comply with its obligations under the Act. (see FCC, Memorandum Opinion and Order, In the Matter of Application of Verizon Pennsylvania Inc., Verizon Long Distance, Verizon Enterprise Solutions, Verizon Global Networks Inc., and Verizon Select Services Inc. for Authorization To Provide In-Region, InterLATA Services in Pennsylvania, CC Docket No. 01-0138, rel. Sept. 19, 2001 at 100 ("Verizon 271 Order").)

Q. Do other state Commission rulings agree with SBC Illinois' approach?

A. Yes. This issue will be addressed in SBC Illinois' briefs.

Q. Has the Illinois Commerce Commission ruled on this issue?

A. The Commission addressed this issue in the proceeding that implemented the requirements of section 13-801 of the PUA (Docket 01-0614). In that proceeding, the Commission closely considered SBC Illinois' position and, although was unable to rule in the Company's favor, noted that the Company "raised a number of compelling policy arguments in favor of its position". (Order, ¶ 335). As I will discuss below, the Commission specifically exempted FX traffic from its decision.

In its most recent ruling on this issue in the GNAPs Arbitration, (Docket 01-0786), the Commission addressed the issue again and was unable to find in favor of the Company because the record did not adequately address the increased costs that SBC Illinois incurs to provide the type of interconnection that AT&T requests here. I intend to remedy that issue in the remainder of my testimony on this issue.

Q. Does SBC Illinois have new data to show that local traffic, delivered to a CLEC outside that local area, is "expensive interconnection" under the *Local Competition Order*?

A. Yes. I have performed a study of existing trunks in the Chicago LATA in Illinois, which accounts for roughly 70% of SBC/CLEC trunks in Illinois. The study shows the high capital costs of interconnection trunks caused by the length of those trunks. The study demonstrates that CLECs operating in the State of Illinois, including AT&T, use longer-than-average trunk facilities (a concept I explain below) to connect with SBC Illinois's network and that the length of those facilities, if AT&T's positions in this arbitration

were to prevail, leaves unreimbursed the investment of approximately ten million dollars *more* in capital costs than if the trunk facilities were no longer than a local trunk facility within a local calling area.

I show in considerable detail that when AT&T chooses to locate POIs at locations that require SBC Illinois to deliver traffic outside the local area where AT&T hands the traffic off to SBC Illinois (what I call "long haul traffic"), AT&T is choosing what the FCC characterizes as "expensive interconnection" for which AT&T should be required to bear the cost. I do this by demonstrating:

1. that a very large number of trunks have been built between CLECs and SBC Illinois;
2. that although these trunks are for primarily local traffic, as a general matter they greatly exceed local calling area lengths; and.
3. that the number of trunks that are longer than 16 miles, multiplied by the additional cost of such long trunk facilities, yields a number showing that long trunks (and distant POIs) are expensive.

Q. Why do you suggest 16.0 miles as the line of demarcation for what you are treating as longer-than-average trunks?

A. A 16 mile cutoff is a good number based on the Illinois Tariff. In that Tariff, Zones A and B in the Chicago Metropolitan Area are included in local calling, and Zones C and D are considered toll. Zones A and B are distances up to and including 16.0 miles.

Q. What percentage of AT&T's trunks are longer than 16 miles?

A. ********** of the trunks from SBC Illinois to AT&T are longer than 16.0 miles.

Q. What percentage of CLEC trunks in general are longer than 16 miles?

A. 49.6% of CLEC trunks in the 358 LATA in Illinois are longer than 16.0 miles.

Q. What trunks did you look at to arrive at this figure?

A. I looked at all trunks that handle local interconnection between SBC Illinois and CLEC switches within the state of Illinois in the Chicago LATA (358). I pulled a list of CLEC trunks in Illinois as of January 2003, and the list of SBC Illinois trunks late in 2002. I did not consider "special" trunks such as 911, Operator, Repair, or trunks to interexchange carriers.

Q. How does the length of "SBC Illinois to CLEC" trunks compare with the length of "SBC Illinois to SBC Illinois" trunks?

A. The data shows that trunks connecting CLEC switches to SBC Illinois switches are longer than trunks connecting SBC Illinois switches to SBC Illinois switches. The data are as follows:

****

Trunks for General Traffic (not operator, repair, 911, etc) in LATA 358

	SBC to SBC	SBC trunks to AT&T, L358, IL	CLEC/SBC L358, IL
Qty	*****	*****	*****
Mean (Arithmetic "Average")	*****	*****	*****
50%ile (Median)	*****	*****	*****
80%ile	*****	*****	*****

****

Q. Please identify the highlights of this data.

A. First, the data show that there are nearly two thirds as many trunks between CLEC and SBC Illinois switches as between SBC Illinois switches themselves. This shows that the

investment for CLEC traffic is significant. Remember that the SBC Illinois trunks are both local and toll, while the CLEC trunks are almost completely local traffic. As a result, even if they were the same length, the longer SBC Illinois trunks would recover the extra costs from toll revenue, while the longer CLEC trunks would not.

Given that toll/local trunks are being compared with local trunks, it is still noteworthy that the median length of SBC Illinois to AT&T trunks is ******** miles longer than the median length of SBC Illinois to SBC Illinois trunks (********* miles compared to 11 miles). The mileage value of the 80th percentile for all CLEC trunks is, in fact, 5 miles longer than for SBC Illinois trunks (27 miles compared to 22 miles) even though the CLEC trunks handle almost all local traffic, and the SBC Illinois trunks of that length handle local and toll.

Q. How do you attach a dollar amount to the additional length of AT&T trunk facilities?

A. We can look at ******** trunks built from SBC Illinois to AT&T at distances greater than 16 miles, and analyze what the capital costs are for the underlying equipment. According to a table of capital costs developed by SBC transport engineers, those trunks cost an estimated **** to **** more than if they were only 14 or 15 miles long. For CLEC trunks as a whole, nearly half are 17 miles long or longer, and those trunks would have created a capital need of $4 ½ million to $12 million more than if they were only 14 or 15 miles long.

Q. Why are longer facilities more expensive than shorter ones?

A. There are three main reasons.

First, they use more of whatever they are made from. If the facility is made from fiber, a longer facility uses more fiber.

Second, in a network of nodes such as SBC Illinois's, facilities are built with SONET add/drop multiplexers (ADM) through the various central offices, which can be as close as a couple miles in a downtown area and as far as more than 10 miles in rural areas. A circuit over a long facility passes through more SONET ADMs than a facility over a short facility. The cost for the circuit increases each time it is either terminated or passes through an ADM. This means that in addition to the electronics at the beginning and the end of a trunk, more electronics must be added in the middle of the facility.

Third, there is the expense of multiplexing and demultiplexing trunk facilities. Switch trunks are in groups of 24 trunks (or a DS1). The basic "circuit" in a SONET facility is a DS3 and there are 28 DS1s in a DS3. The DS1s from a switch must be multiplexed into a DS3 at the originating and terminating central offices. Since there may not be enough DS1s between two central offices to fill up a DS3, the DS1s may need to be groomed at intermediary offices.

Q. How did you attach a dollar amount to the capital expense of longer facilities?

A. In terms of the mathematics, I used the following table, developed by our transport engineers in designing our own networks.

Band/Cost Table

****

Band	Capital requirement-DS1 w/Grooming
0	***
0-5	***
05-10	***
10-15	***
15-20	***
20-25	***
25-50	***
50+	***

****

Q. Are these numbers based on a TELRIC model?

A. This study is different from a TELRIC pricing model.

Q. How are these numbers derived?

A. In this study, theoretical model installations were priced out using current prices for the elements that would be used and the model installations were averaged.

Q. *Can you describe the models that support the costs you show above?*

A. The following chart shows the underlying model "installations." In all cases a DS1 traversing an OC192 2-fiber BLSR SONET ring interoffice network was used, with all equipment prorated for the amount that a DS1 would require. The DS1 to DS3 utilization was assumed to be 85%. Each OC192 high-speed link utilization was assumed to be 75%.

Elements Table

	MODEL 1	WEIGHT	MODEL 2	WEIGHT
UP TO 5 MILES	OC192 ADM EACH END	100%		
5 TO 10 MILES	OC192 ADM EACH END	50%	OC192 ADM EACH END, OC192 ADM (TRIBLESS) INTERMEDIARY OFFICE	50%
10 TO 15 MILES	OC192 ADM EACH END, OC192 ADM (TRIBLESS) IN INTERMEDIARY OFFICE.	50%	OC192 ADM EACH END, BACK-TO-BACK OC192 ADMS WITH DCS GROOMING IN INTERMEDIARY OFFICE.	50%
15 TO 20 MILES	OC192 ADM EACH END, OC192 ADM (TRIBLESS) IN TWO INTERMEDIARY OFFICES	50%	OC192 ADM EACH END, OC192 ADM (TRIBLESS) IN ONE INTERMEDIARY OFFICE, BACK-TO-BACK OC 192 ADMS WITH DCS GROOMING IN SECOND INTERMEDIARY OFFICE.	50%
25-50 MILES	OC192 ADM EACH END, OC192 ADM (TRIBLESS) IN INTERMEDIARY OFFICE, BACK-TO-BACK OC192 ADMS WITH DCS GROOMING IN TWO INTERMEDIARY OFFICES.	100%		
50+	OC192 ADM EACH END, OC192 ADM (TRIBLESS) IN THREE MIDDLE OFFICE, BACK-TO-BACK OC192 ADMS WITH DCS GROOMING IN TWO INTERMEDIARY OFFICES.	100%		

Key:

ADM--ADD/DROP MULTIPLEXER--USED TO ALLOW SOME DS3S TO DROP OUT TO THAT LOCATION. (DS1 REMAINS ON A DS3, WHEN THERE IS NO HUB).

TRIBLESS ADM – ADM WITH NO DROP PORTS; ONLY HIGH-SPEED OPTIC COSTS.

DCS HUB--DIGITAL CROSS CONNECT SYSTEM USED TO GROOM DS1 FROM ONE DS3 TO A DIFFERENT DS3 IN A DIFFERENT RING.

Q. Please explain the entries in the Band/Costs table.

A. The first column is mileage, placed in bands reflecting the stepwise nature of facility expenses. An 8-mile circuit may or may not be more expensive than another circuit which is only 6 miles, but a 25-mile circuit is almost certain to be. The first band is 0

miles, indicating an expense for dropping a circuit from one facility in a central office and placing it on another facility in the same central office. The 15-20 mile band shows the cost of a typical facility in the range of 15 to 20 miles. These numbers reflect the unit costs for shared infrastructure in SBC Illinois's transport network between central offices.

Q. The heading of the second column includes a reference to "DS1." Are you assuming a DS1 network?

A. No. The costs outlined are merely broken down in this table to DS1 costs. They are the costs of installing a DS1's worth of circuits into an existing network which utilizes much higher bandwidths.

Q. Are the distances in the table airline miles or circuit miles?

A. They are circuit miles. The distances between central offices and other network elements are calculated in airline miles. We estimate that the travel of 1 airline mile tends to require about 1.4 circuit miles. In assessing trunks 14 miles long, the study assesses those trunks as being 19.6 circuit miles.

Q. How do you derive incremental expense of longer facilities?

A. To derive how much more a facility costs to go a longer distance, the study looks at the capital requirements of the long facilities (per the table) and subtracts what the same facility would have cost if it had been shorter. As an example, we can look at a couple DS1s worth of trunks connecting the SBC Illinois Ottawa central office with AT&T in Chicago.

The airline distance from Ottawa to AT&T's switch is 76 miles (106 circuit miles).
The cost of a 14 airline mile (19.6 circuit mile) DS1 is **** ****
The cost of a 15 airline mile (21.0 circuit mile) DS1 is ********

The cost of a 76 mile (106 circuit mile) DS1 is ****. ****

The incremental capital requirement of installation for each DS1—76 mile vs 15 miles is ****. ****

The incremental capital requirement of installation for each DS1—76 mile vs 14 miles is ****. ****

The incremental capital requirement, Ottawa to Chicago, being run the additional 61 to 62 miles is in the **** to **** range. ****

When aggregated across the CLEC trunk inventory the additional cost to SBC Illinois of having installed interconnection with CLECs in LATA 358 with "long" facilities ranges between 4.7 and 12.2 million dollars, as follows:

****

	Number Trunks longer than 16 miles	15 mile cost comparison	14 mile cost comparison
AT&T	***	****	****
All IL CLEC	****	****	*****

****

Q. You characterize these costs as capital costs. Does that indicate they are one time costs to SBC Illinois?

A. They are capital costs, and reflect the one time purchase prices of different pieces of equipment. The on-going expenses associated with these facilities is over and above the costs I captured in this study. In this sense, my study is based on very conservative assumptions.

Q. What conclusion do you draw from the study you have performed?

A. It is expensive for SBC Illinois to maintain interconnection facilities across longer distances, as SBC Illinois is required to do by the decisions made by CLECs concerning

the number and location of POIs they establish. As a result, SBC Illinois is entitled under the FCC's *First Report and Order* to charge CLECs a reasonable, non-discriminatory cost-based rate for the additional interconnection costs it must incur.

By the same token, should AT&T supply a POI to pick up SBC Illinois traffic in a local calling area, AT&T should not be able to charge SBC for transporting that traffic more than a local calling distance from its origination.

Q. How does SBC Illinois propose that AT&T bear the costs for expensive interconnection--for the transport of calls beyond 15 miles?

A. SBC Illinois would bill AT&T at TELRIC rates for the facilities underlying any trunk group in excess of 15 miles, for the facilities used beyond the 15 miles. AT&T may choose any POI it wishes, and is assessed charges on a trunk by trunk basis. If there is only a small amount of traffic traded in Sugar Grove, for example, AT&T will be charged only a small amount of transport, at TELRIC rates for the interoffice portion beyond 15 miles.

Q. In its testimony, AT&T includes calculations of what it believes SBC Illinois proposes to charge for this expensive interconnection. Do you agree with AT&T's calculations?

A. No. It appears that AT&T misunderstands SBC Illinois' proposal. In general, based on the inventory of trunks that AT&T has presented in its study, I find that AT&T has nearly tripled the charges for bringing local calls to themselves from outside SBC Illinois' local calling areas. What AT&T characterizes as a ******** dollar "shift" would instead be a change in billing of about ******** dollars, less than 38% of the amount AT&T calculated.

Q. What rate elements would SBC Illinois charge, at TELRIC rates, for traffic outside the local calling area?

A. SBC would charge only the interoffice mileage per mile charge, less 15 miles, and the interoffice mileage terminations.

Q. What rate elements did AT&T include in its study?

A. In addition to the charges mentioned above, AT&T included a link from SBC Central Office to AT&T Central Office (an "entrance facility,"), and in the case of tandem trunks, included the *first* 15 miles of interoffice mileage as well.

Q Do you have reason to believe that AT&T's actual costs would be even lower than the charges you have mentioned?

A. Yes. In the course of this arbitration SBC Illinois has modified its position to produce an even lower rate for AT&T by offering to split the interoffice mileage termination costs, so that when AT&T's requested interconnection exceeds 15 miles, AT&T would be billed one termination charge.

Q. How do you quantify this change?

A. In the inventory that AT&T offered with its testimony, this change would reduce SBC Illinois's rate another 25%, so that the new estimated charge would be just 28% of AT&T's calculation.

Q. In a footnote on page 63 of the AT&T Panel testimony, AT&T explains how SBC Illinois's proposal could be implemented fairly. Does SBC Illinois's offer match this procedure?

A. Close, but not exactly. AT&T says "To implement SBC Illinois's proposal properly, … ATTCI should only be financially responsible for any incremental cost for transport greater than 15 miles…."

Q. Does your proposal do that?

A. Yes. The interoffice mileage rate includes a per mile charge assessed only for mileage in excess of 15 miles. The entrance facility charge that AT&T believes would be assessed is not. The interoffice mileage termination, currently listed in the Pricing Appendix as applying *twice* on any DS1 run between SBC offices, would only apply *once* in SBC's current proposal.

Q. Please explain the interoffice mileage charges in a bit more detail.

A. The mileage costs between offices are split into two elements-- a per mile charge which captures the fiber and fiber ducts on a per mile basis, and an interoffice mileage termination charge at each end of the interoffice mileage. The interoffice mileage termination charge, although posed as a fixed cost for all interoffice miles, captures the prorated costs of all electronics used to light the fiber and groom the network all along the way. It is averaged rather than prorated per mile because of the lack of an absolute one to one relationship between a mile and an element of electronics. In the model used in my study this cost is posed in a more step wise way, that at some point (the difference between 10 to 15 miles, say, and 15 to 20 miles) more electronics are needed, but the original cost model captures the total costs by spreading the total costs across all circuits.

Q. Are you offering a compromise with respect to interoffice mileage termination charge?

A. Yes. Rather than assessing all the electronics charges anytime the circuit exceeds 15 miles, SBC Illinois proposes assessing half the electronics. Clearly the extension of fiber can't operate without them, and clearly more fiber requires more electronics. SBC Illinois' compromise proposal takes these facts into account.

Q. In AT&T's panel testimony, the statement is repeatedly made that SBC Illinois is trying to "shift costs" from SBC Illinois to AT&T. Is that an accurate characterization of SBC Illinois's proposal?

A. I disagree that SBC Illinois is shifting costs to AT&T. As my study shows, just the opposite is true, i.e., AT&T is shifting the costs for interconnection facilities to SBC Illinois. SBC Illinois is attempting to correct this situation by arriving at a solution where SBC Illinois and AT&T share the costs of interconnection in a more equitable manner.

Q. Can you summarize your main points in this issue?

A. Yes. I have shown that it is appropriate and lawful for SBC Illinois to recover the costs of an expensive interconnection, even when that expense relates to local traffic originated on SBC's network. I have shown that interconnection outside a local calling area's distance is expensive. And I have shown that the method of SBC's recovery, TELRIC pricing for the interoffice charge, less the first 15 miles, and less half the interoffice termination, is a fair method of cost recovery.

Q. How should the Commission rule on this issue?

A. The Commission should adopt the proposed language of SBC Illinois in sections 4.3.1, 4.3.2 and 4.3.3.

<u>Interconnection Issue 8</u>: <u>FX Calling Transport</u> When AT&T has requested a POI located outside the local calling area of Ameritech Illinois's end user originating the call, should AT&T be financially responsible for the transport outside the local calling area for FX traffic originated by Ameritech Illinois?

Q. Are there special calls for which it is particularly appropriate that AT&T bear the expense of transporting outside a local calling area?

A. Yes, calls that are dialed as local calls but that are delivered outside the local calling area. These are "foreign exchange" or "FX" calls. This is the issue raised in Interconnection

Issue 8. In a nutshell, in the case of FX calls, SBC Illinois bears the entire expense of long transport facilities *without the ability to charge either its own customer or AT&T for the service.* This unique calling arrangement falls well outside what AT&T describes as the "calling party pays" model because the company originating the call (SBC Illinois) cannot charge its own customer for calls that connect them with AT&T customers a long way away.

Q. Can you explain in a bit more detail?

A. Yes. Picture if you will a service offered by carriers that permits a restaurant in downtown Chicago to establish a local number in a suburban area so that customers in that suburban area can call without incurring any toll charges. This permits an SBC Illinois customer in Geneva, Illinois, to dial an AT&T telephone number assigned to Geneva as a local call. AT&T, however, delivers the call to the restaurant in Chicago. The restaurant has been assigned an FX number for the sole purpose of receiving calls on a toll free basis.

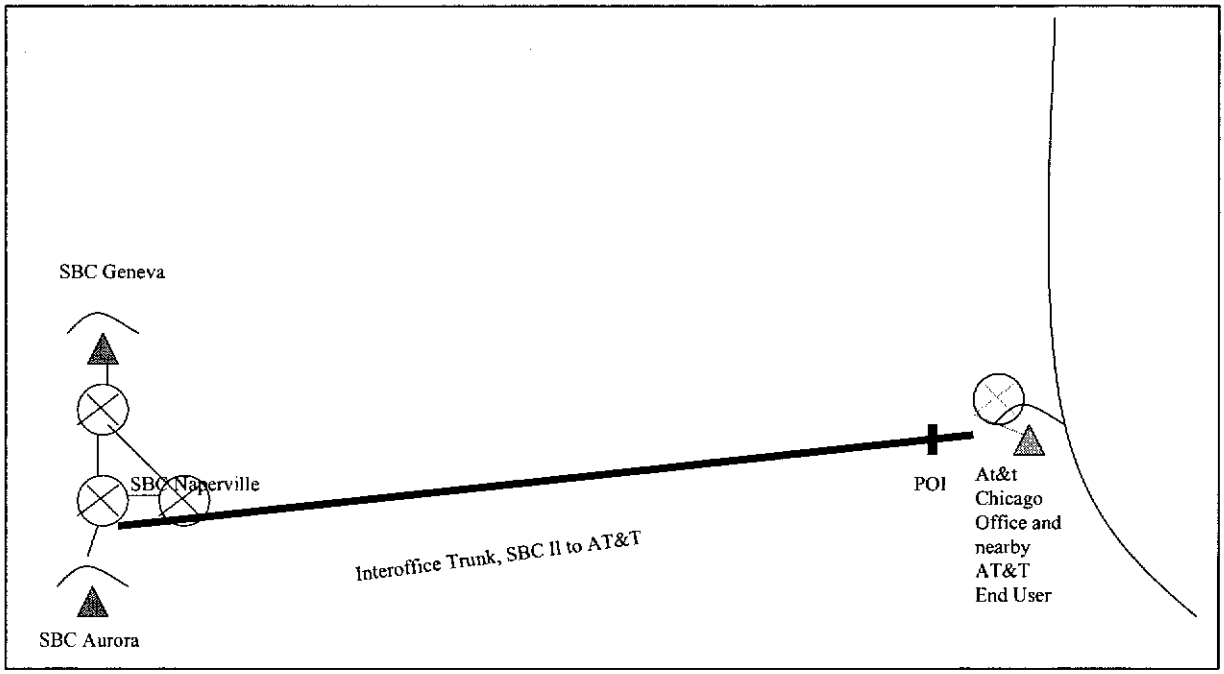
Q. Does SBC Illinois seek to charge a Geneva customer long distance, when he has dialed a Geneva telephone number?

A. No. SBC Illinois agrees with AT&T and previous ICC rulings that a Geneva customer dialing a Geneva telephone number should not pay to place the call. SBC Illinois does believe, however, that the carrier that has assigned that telephone number to the Chicago restaurant should compensate other phone companies for the type of call set up, a long distance telephone call. I will develop this line of thought in more detail, but want first to lay a bit more foundation.

Q. How is this call different from the one shown in the map of the Far West Suburbs, in the discussion of local calls?

A. That same map would look as follows, except AT&T phone is no longer out in the Far West Suburbs, with the other phones, it is at or near the AT&T Chicago switch site.

FX call, SBC Far West to AT&T Chicago



Q. How do routing and rating operate between networks?

A. Carriers rely on each other to publish information about telephone numbers as they activate them for dialing. When a carrier publishes a new prefix in the Local Exchange Routing Guide (LERG), it publishes the code with a "rate center" designation and a switch destination. A rate center tells all carriers where to consider the code's geographic location to be, and how to treat it for billing (i.e., local versus toll) purposes. The switch destination tells all networks where to physically route calls that have been dialed with that prefix.

As an example, The following information is in the LERG for a Chicago telephone number as published by one of the AT&T companies, Teleport Communications Group (TCG).

LATA	CLLI	NPA	NXX	Rate Center	Vert	Horz
358	CHCGIL24DS0	312	980	CHICGOZN01	05988	03425

By placing that information in the LERG, AT&T advises all carriers whose customers have dialed area code 312, followed by prefix 980 to route the call to AT&T's Chicago switch, CHCGIL24DS0. The Vertical and Horizontal coordinates of the switch (V&H coordinates) are shown as 5988 and 3425, which can be plotted on a nationwide map with all other switches to show its location and distance from everywhere else.

The code 312-980 is tagged with a rate center of "CHICGOZN01" indicating that the call should be dialed locally by any caller who can normally dial Chicago Zone 1 codes

locally, and dialed toll by any caller who cannot. The rate centers in which SBC Illinois customers may dial the call locally are:

CHICGOZN01
CHICGOZN02
CHICGOZN03
CHICGOZN04
CHICGOZN05
CHICGOZN06
CHICGOZN07
CHICGOZN08
CHICGOZN09
CHICGOZN10
CHICGOZN11
CICERO
BERWYN
OAK PARK
FOREST
MAYWOOD
RIVERGROVE
RIVERSIDE
BELLWOOD
BROOKFIELD
EVANSTON
SKOKIE
SUMMIT
FRANKLINPK
LA GRANGE
OAK LAWN
PARK RIDGE
WILMETTE
WESTERNSPG

Q. From a routing and rating perspective, what is "special" about an FX-like telephone number assignment?

A. Using Geneva as an example, the information AT&T published in the LERG for 630 423-XXXX telephone numbers is as follows:

LATA	CLLI	NPA	NXX	Rate Center	Vert	Horz
358	CHCGIL24DS0	630	943	GENEVA	05988	03425

For the AT&T 630-943 code, networks must be programmed to route dialed calls to the AT&T Chicago switch. That switch is located in the same spot for the Geneva code as it is for the Chicago NXX code, Vertical 5988 (V) and Horizontal 3425 (H) coordinates. By tagging this NXX code as "Geneva," however, end users who may dial Geneva locally may dial this code locally as well. These customers include residents of:

GENEVA
ST CHARLES
BATAVIA
W CHICAGO
ELBURN
WARRENVL
GENEVA
BARTLETT
ELGIN
WHEATON
KANEVILLE
NAPERVILLE
PLATO CTR
SUGARGROVE
GLEN ELLYN
ROSELLE
BIG ROCK
DUNDEE
OSWEGO
LOMBARD

This is a normal local calling arrangement when AT&T is directing a call to an end user who is located in Geneva. When AT&T directs the Geneva number to an AT&T end user located in Chicago, however, it is a toll call (35 miles long), from a Geneva customer to the AT&T customer, which the Geneva customer dials for free.

From a rating and routing perspective, therefore, the call to the Geneva number for an end user located in Chicago is a type of mismatch. The end user is dialed as if he were in Geneva. An end user dialing from New York would see "Geneva" listed on his bill as the

destination of his call, yet the end user who is being called is not in Geneva. In effect rating and routing systems have been tricked.

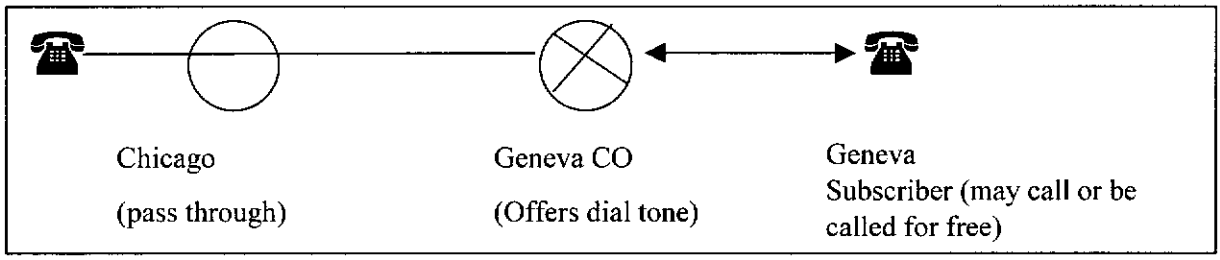
Q. How does toll calling work, based on the LERG entries?

A. The LERG shows two sets of Vertical and Horizontal (V and H) coordinates, the switch location, shown above, and the rate center V and H coordinates. One switch may serve several rate centers, as is the case for AT&T's Chicago POI. AT&T's single switch in Chicago serves both Chicago and Geneva.

Both codes share one set of V and H coordinates for their switch, and each have a unique V and H coordinate for their rate center.

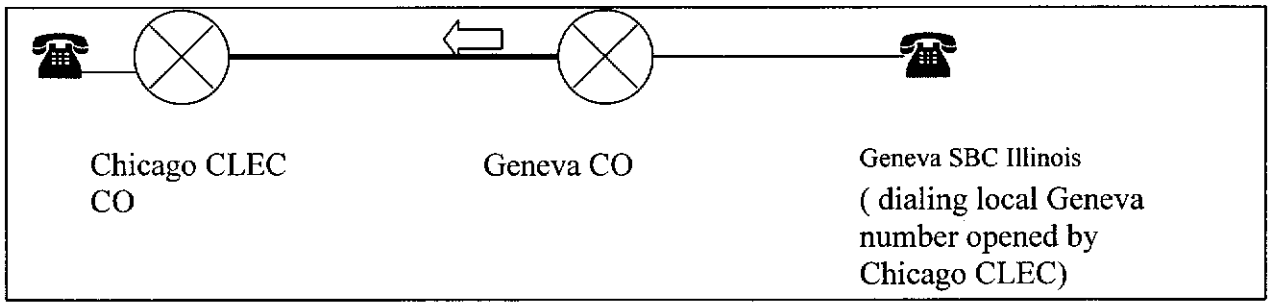
Q. On a physical network level, how does FX service operate?

A. There are various ways of making this service work. If SBC Illinois were offering a Geneva FX service to a company in Chicago, the Chicago customer's line would be extended through his serving wire center in Chicago, all the way to Geneva, from which he would draw dial tone and receive telephone calls. SBC Illinois would be offering the transport for the "toll" portion of the call. A diagram of this service, where a Geneva end users can call him toll free, would look like this:



Q. How might FX service be provisioned by CLECs and ILECs?

A. On a physical level, two different facility-based carriers would each be involved in the provisioning of FX type service. In the diagram below, AT&T and its Chicago end user are on the left, and SBC Illinois and its Geneva end user are on the right. The thick line between the switches is an interoffice trunk.



The facility which the trunk rides (copper cable, fiber optics) is a long electrical or light path that spans the distance from the Chicago switch location to the Geneva switch location. Under AT&T's proposed contract language in Article 4, Section 4.3.1, the facility would be provided entirely by SBC Illinois. This means that SBC Illinois would bear the expenses of a toll call, but would not recover that expense by billing AT&T *or the end user* for the call.

Q. What has the ICC previously said about FX service?

A. In the SBC Illinois/Level 3 Arbitration (Docket No. 00-0332), the Commission expressed its view that FX is a type of long distance service:

> Whether designated as "virtual NXX," which Level 3 uses, or as "FX," which AI prefers, this service works a fiction. It allows a caller to believe that he is making a local call and to be billed accordingly when, in reality,

> such call is travelling to a distant point that, absent this device, would make the call a toll call. The virtual NXX or FX call is local only from the caller's perspective and not from any other standpoint. There is no reasonable basis to suggest that calls under this fiction can or should be considered local for purposes of imposing reciprocal compensation.

Q. Did the Commission address FX calling in Docket 01-0614?

A. Yes. In that order, the Commission recognized that FX calling merited special treatment in terms of both interconnection trunking and reciprocal compensation. The Commission deferred the question of whether SBC Illinois was entitled to charge CLECs for the additional transport costs associated with FX traffic and directed Staff to consider a potential rulemaking to address FX traffic:

> Our acceptance of Staff's position includes its recommendation that we defer the issue of compensation for FX or NXX traffic pending the development of a further record. While Staff did not suggest a particular vehicle for this exercise, the arguments of the parties here and the regularity with which similar issues have been and are being addressed by the Commission, suggests that it may be provident to begin a reciprocal compensation rulemaking to bring finality to these matters. To that end, Staff is directed to examine the costs and benefits of such an undertaking and to report its conclusion to the Commission within 90 days of the entry of this Order.

Order, Docket 01-0614, June 11, 2002, ¶336. Nothing has come of this as of yet, so the Company believes that it is particularly appropriate for the Commission to use the opportunity of this arbitration to rule that AT&T is no longer entitled to free transport for what is, for all practical purposes, toll traffic.

Q. If the Commission were to rule as you suggest, what rates would apply?

A. SBC Illinois is proposing to charge Commission-approved TELRIC rates for the length of the facility being used, less 15 miles (the distance that SBC Illinois would provide for

truly local calling), and less one of the interoffice mileage termination charges. These TELRIC rates are, on their face, reasonable and fair. By deducting 15 miles, SBC Illinois is giving what amounts to a mileage discount. SBC Illinois does not propose to change the POI, so AT&T's ability to establish a "single point of interconnection" is preserved. Under this arrangement, AT&T would continue to offer its customers this valued service; it would simply have to pay SBC Illinois for the transport the Company provides.

Q. Would the Commission's adherence to its decision in Level 3 in any way impede AT&T's ability to provide FX service or to use its NXX as it chooses?

A. No. AT&T can still provide FX service wherever and to whomever it likes, provided that it does not abuse that service to impose unwarranted costs on SBC Illinois. SBC Illinois is not dictating any other local service provider's network configurations. Rather, it is simply ensuring that costs of service (in this case the toll-substitute FX service) are properly allocated to and borne by the carrier and the end user who benefit from that service.

Q. Would the Commission's adherence to its decision in Level 3 affect the rate paid by end users calling an FX service telephone number?

A. No, there would be absolutely no impact on the rates paid by callers. Those calls would continue to be billed as local calls to the originating caller based on the rate center assigned to the NXX code by the provider of the FX service.

Q. How do SBC Illinois' contract proposals for long haul of local traffic and for FX traffic relate to one another?

A. SBC Illinois's contract language addresses the two issues separately. AT&T (and the Commission) are being offered consistent proposals on a modular basis. The Commission may (and should) find transport reimbursable whenever a network design requires a Party to haul a call outside of a local area (Issues 6 and 7). The Commission

may, however, find that transport is reimbursable only in the FX situation described above (Issue 8). The modular way in which these issues are framed will allow the Commission more flexibility to resolve these issues.

Q. On lines 1535 through 1554 of the Panel testimony, AT&T argues that SBC Illinois can not charge for FX traffic, because the traffic is governed by 251(b)(5) (i.e., it is traffic requiring reciprocal compensation) and FX traffic begins on SBC Illinois's network. How do you respond?

A. AT&T quotes FCC Rule 703(b) as a reason that SBC may not charge for transport for FX traffic. Rule 703 is labeled "Reciprocal compensation obligation of LECs" and covers traffic that is covered by 251(b)(5)--which is also labeled "Reciprocal compensation." FX traffic under current Illinois regulation is not considered to be 251(b)(5) traffic (i.e., traffic subject to reciprocal compensation), because FX traffic does not earn reciprocal compensation for the terminating carrier in Illinois. As SBC witness Patricia Pellerin discusses in her testimony on the reciprocal compensation of FX, this long-standing determination continues to be appropriate.

B. Points of Interconnection in Independent Company Territory

Interconnection Issues 1, 9

Interconnection Issue 1: May AT&T interconnect indirectly to SBC Illinois via another LEC's tandem?

Q. What is a Tandem?

A. Telephone subscribers receive dial tone from "end office" switches. A tandem is a switch that connects multiple end office switches. Where there is enough traffic to justify it, trunks may directly connect one end office switch to another end office switch. But

there is not always enough traffic between two end offices to justify such an arrangement, so end offices also connect to tandem switches in a specific geographic area.

Q. What is AT&T proposing in the interconnection agreement?

A. AT&T proposes the following language in section 3.2.5.1:

> Where SBC-Illinois's end offices subtend another ILEC's tandem switch for local traffic and/or exchange access, AT&T may, at its discretion, interconnect with SBC-Illinois for local traffic and/or exchange access, AT&T may, at its discretion, interconnect with SBC-Illinois for local traffic and/or exchange access via the other ILEC's tandem switch or at the SBC-Illinois end office.

This language indicates that if SBC Illinois has a switch served by an independent company for *access* traffic, then AT&T may exchange *local* traffic with SBC Illinois through that same tandem.

Q. Where in Illinois might this provision apply?

A. There are four SBC Illinois switches that subtend non-SBC tandems. These switches all subtend tandems that are owned by Verizon and are located specifically in Cairo (Carbondale LATA), Sterling (Dekalb/Dixon LATA), Forrest (Bloomington LATA) and Quincy (Jacksonville). These offices subtend the Verizon tandems for interLATA access traffic, Feature Group B and Feature Group D traffic.

Q. Do these offices subtend the Verizon tandems for local traffic?

A. No. The LERG offers a mechanism for listing an office's tandem switch separately for each type of traffic: Feature Group B, Feature Group D, Operator, Local, IntraLATA Toll, and so forth. SBC Illinois in these LATAs lists Verizon tandems only for Feature Group B and D. For local traffic, these offices have no tandems listed, which is

868 appropriate as they are already a central point in the LATA through which all the SBC
869 Illinois subscribers in those LATAs may be reached.

870 **Q. What is SBC Illinois's objection to AT&T's proposal of using Verizon switches as a**
871 **new tandem for local calls?**

872 A. SBC Illinois has three objections:

873 First, the Verizon tandems do not belong to SBC Illinois, so a two party contract between
874 SBC Illinois and AT&T is not an appropriate vehicle to guarantee the Verizon tandems'
875 availability.

876 Second, the Verizon tandem is not part of SBC Illinois's network, so there is no 251
877 (c)(2)(B) obligation for SBC Illinois to interconnect with AT&T for the exchange of local
878 traffic at that point. Section 251(C)(2)(B) limits the interconnection obligation to "any
879 technically feasible point *within* the carrier's network".

880 Third, it would be out of parity with the use of the Verizon/SBC Illinois tandem
881 connections. The four SBC Illinois offices in question do not trade local traffic with
882 Verizon at or through the Verizon tandems. SBC Illinois' subscribers are not in the local
883 calling areas of Verizon's subscribers. If AT&T were to send local traffic through the
884 Verizon tandem, the tandem capacity could be exceeded. Most certainly the trunk group
885 between the Verizon tandem and the end office would be overrun with the new traffic,
886 thus requiring Verizon and SBC Illinois to expend capital dollars to augment the trunk
887 group between them to accommodate AT&T's local traffic.

Q. How does SBC Illinois propose to interconnect with AT&T at these end offices?

A. In each of these LATAs SBC Illinois offers a single point of interconnection, at any technically feasible place within SBC Illinois' operating territory. One trunk group to one switch in each of the LATAs in question will allow AT&T to trade traffic with all the SBC Illinois subscribers in those LATAs.

Q. In its testimony, AT&T's panel says that "If SBC Illinois has determined that it is less costly to subtend another LEC's tandem than deploy its own tandem, SBC Illinois should not be permitted to foist the costs associated with that arrangement on to other carriers." (Direct Testimony Finney-Shell-Talbott lines 537-540) How do you respond?

A. The argument makes absolutely no sense where SBC Illinois has only one end office in the LATA because it would be absurd to deploy a tandem switch for just one end office. Since a tandem is designed to manage traffic between multiple end offices, there is simply no reason to deploy one where there is only one end office in a LATA. In a sense, each end office *is* a tandem because it is a single spot in each LATA where interconnection brings any carrier in contact with *all* the SBC Illinois end users in that LATA.

Q. Is SBC Illinois offering an "uneven deal" between what it offers AT&T and what it offers other ILECs?

A. No. SBC Illinois does not exchange local traffic with any ILECs at the Verizon tandem in these LATAs (including Verizon itself).

Q What resolution do you recommend for Issue 1?

A. I recommend that the Commission reject AT&T's proposed language in its entirety. SBC Illinois has no competing language.

Interconnection Issue 9: Should AT&T offer a POI within SBC's franchise area, to trade SBC local/intraLATA traffic?

Q. Please describe this issue.

A. The issue statement for issue 9 is wrong in the DPL, though the contract language being referred to is correct. This issue is very similar to Interconnection Issue 1, above, in that in each case AT&T is requesting to connect to SBC Illinois' network outside of SBC Illinois' service territory. In Interconnection Issue 1, AT&T requests to do that at a Verizon tandem. In this issue, AT&T requests to do that at some other location. In Interconnection Issue 1, AT&T proposes language and SBC Illinois does not. Conversely, in Interconnection Issue 9, SBC Illinois proposes language and AT&T does not.

Q. What language does SBC Illinois propose in issue 9?

A. SBC Illinois proposes the following in Article 4, Section 4.3.1: "AT&T must establish one or more POI(s) within the operating territory in the LATA where SBC Illinois operates as an incumbent LEC." The language goes on to specify that those POIs will be the place AT&T receives its traffic from SBC Illinois and delivers its traffic to SBC Illinois.

Q. Does AT&T have a right to choose any technically feasible point on the ILEC network for its POI?

A. Yes. SBC Illinois's proposal is that as long as AT&T is selecting a POI within SBC Illinois' service territory, it has the right, as it has in the other SBC Illinois POI proposal, to make a POI selection.

Q. What is the justification for requiring AT&T to locate the POI within SBC Illinois' operating territory?

A. I offer two reasons. First, Section 251(C)(2)(B) limits the interconnection obligation to "any technically feasible point *within* the carrier's network". AT&T's proposal would require SBC Illinois to interconnect at a point outside its own network. Second, under AT&T's proposal, SBC Illinois would have to procure facilities – potentially at great expense – to connect to whatever far-flung location AT&T may choose. This is a particular hardship in rural LATAs in downstate Illinois where SBC Illinois has a single end office and could be forced to procure facilities to run to the other side of the LATA, just for the convenience of AT&T. In short, AT&T's position is commercially unreasonable and would establish a bad precedent for other carriers in Illinois. SBC Illinois' language – which prevents this result - should be approved.

Intercarrier Compensation Issue 8b:

***SBC Illinois* – Should AT&T be entitled to a single rate element which includes the tandem rate element, even though the tandem may not be used?**

***AT&T* – Do AT&T's switches meet the requirements of 47 C.F.R. 51.11(a)(3) such that SBC Illinois shall compensate AT&T for termination at the tandem rate?**

(Intercarrier Compensation Section 21.2.2)

Q. Please describe this issue.

A. AT&T proposes to bill SBC Illinois reciprocal compensation at a single rate, for all minutes of use. That rate, AT&T proposes, will be the so-called tandem reciprocal compensation rate, consisting of end office switching, tandem switching and ten miles of transport. SBC Illinois contends that AT&T is not entitled to charge AT&T the tandem reciprocal compensation rate, or at least that AT&T is not entitled to charge AT&T that rate (consisting of all the identified rate elements) for all calls that AT&T terminates.

Q. What does the issue turn on?

A. Principally, on a legal issue, namely, the correct interpretation of the FCC rule that provides that AT&T is entitled to the tandem rate if its switch serves a geographic area comparable to the area served by an SBC Illinois tandem switch. AT&T apparently believes it can satisfy this test by proving the area that its switches are capable of serving. SBC Illinois maintains that AT&T can satisfy the test only by demonstrating that its switches actually, currently serve areas comparable to the area served by an SBC Illinois tandem switch, and that it is not enough for AT&T to prove only the area that its switches are capable of serving. As I say, this is a legal issue, and SBC Illinois will address it in its briefs.

Q. Does this conclude your testimony?

A. Yes

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

AT&T Communications of Illinois, Inc.	)	
TCG Illinois and TCG Chicago	)	
	)	**Docket No. 03-0239**
Petition for Arbitration of Interconnection Rates,	)	
Terms and Conditions and Related Arrangements	)	
With Illinois Bell Telephone Company d/b/a	)	
SBC Illinois Pursuant to Section 252(b)	)	
of the Telecommunications Act of 1996	)	

VERIFICATION

Craig S. Mindell, being first duly sworn on oath, deposes and states the following:

1. I am the Area Manager – Interconnection for SBC Illinois.

2. The facts set forth and statements made in my foregoing Direct and Rebuttal Testimony are true and correct to the best of my knowledge, information and belief.

3. Further affiant saith not.

Craig S. Mindell

STATE OF TEXAS
COUNTY OF DALLAS

Subscribed and sworn to
before me, this 13th day of
June 2003

Notary Public